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22 July 1971

SECURITY CONSIDERATIONS

The Project Officer is responsible for the assignment of security classifications in the RD&E contracts for which he is responsible, for all need-to-know determinations, and also for determinations regarding the need for and the degree of sterility required in the procurement process. Clearly, the assistance and counsel of the Contracting Officer and Security Officer is both helpful and necessary. Thus, from the outset of any RD&E effort, the Project Officer must give careful and continuing attention to two important facets of security--security classification and sterility--and the implications of procurement practices and personal cover as they may limit sterility.

Because of their special relationships in RD&E projects, the following subsections provide definitions, recommend practices, and, in general, seek to illuminate and relate security classification, sterility, procurement practices, and personal cover in terms of the Project Officer's concerns.

Before an RFP containing or calling for the use of classified information in its preparation is disseminated to prospective contractors, a determination must be made that each of the prospective contractors is able, and is obligated by agreement, to afford to the classified information the required

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degree of protection.

Concurrently, prior to any contact, possible needs for sterile procurement must be considered.

Contractor adherence to physical and procedural security requirements is monitored by facility security inspections conducted periodically as needed. Security files are maintained by the Security Staff, Office of Logistics on each of the contractor facilities approved to receive classified information for the benefit of Contracting Officers and Procurement Team Security Officers who make no small contribution to them. When it is desired to send classified material, such as an RFP, to a facility which does not have a current approval, Procurement Team Security Officers can arrange for the security inspection of the facilities if advance notification is given in sufficient time.

Personal access by contractors and their employees to classified information is authorized only by the Office of Security's issuance of appropriate security approvals. Industrial Security Approvals (ISA's) are issued at the CONFIDENTIAL, SECRET or TOP SECRET levels to authorize the Agency's use of contractor personnel at domestic contractor's facilities. Industrial Security Staff Approvals (ISSA's) are issued at the TOP SECRET level to authorize the use of these personnel at official Agency installations. Processing of

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requests for these approvals will be handled by the Procurement Team Security Officer in coordination with the Project Officer.

#### Security Classification

Security classification must be determined through careful consideration of the potential effect which the disclosure of such information or material might have on the defense of the Nation, on the intelligence efforts of CIA, or on other USIB agencies. If the disclosure of the information or material could result in exceptionally grave damage to the Nation, it shall be classified TOP SECRET; if disclosure could result in serious damage to the Nation, it shall be classified SECRET; if its disclosure could be prejudicial to the defense interests of intelligence activities of the Nation, it shall be classified CONFIDENTIAL

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The Project Officer is responsible for the assignment of security classifications for CIA research, development and engineering procurement contracts. These assignments of security classification represent judgments based upon consideration of the potential damage which could result from disclosures as described above.

Two separate and distinct factors must be considered: the inherent sensitivity of the nature of the product (work, hardware, or reports) resulting from the contract, and the

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sensitivity of the association between the Agency and the contractor. Either the product, or the association, may be classified. If both are classified they may require different levels of classification. Since the assigned security classifications determine the security procedures which will be followed throughout the life of the proposed contract to protect either the product and/or the association, it is incumbent upon the Project Officer to consider thoroughly every detail throughout the project life in order to arrive at realistic and appropriate security classification assignments in the pre-RFP stage. Account should be taken of what is available to foreign intelligence services through open sources and of general knowledge of the state-of-the-art.

Although security classification theory seems straightforward and simple, practical application is difficult and frustrating because subjective judgments must be made among competing project objectives. In the extreme, it can be argued on the basis that "every little bit hurts," that any information regarding PD&E projects might be used in some way to reduce or negate the purpose of the project. On the other hand, added project costs are incurred in complying with the special administrative and facility requirements for handling and safeguarding classified material, and the greatest losses may be those resulting from the

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SECRET

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exclusion of potentially useful people and ideas who do not "need to know," and the extensive duplication of effort which occurs because of secrecy-induced ignorance.

Publications by former CIA officials, unclassified Agency recruiting material, other reliable sources, and common sense clearly indicate that collecting and processing intelligence data, and the production of intelligence estimates, are Agency tasks. It is openly established that technical as well as human resources are employed in all facets of our work--some overtly, some covertly. Protecting such kinds of information is clearly infeasible and not worth the effort or expense. In contrast, the fact that a transmitter used as a data relay in a collection system operates at a particular frequency could certainly be exploited to efficiently locate collection installations. The disclosure of such information would clearly jeopardize the collection mission including the equipment and the operators, and, as a minimum, be prejudicial to national interests.

The subjective judgment of the Project Officer will continue to be taxed more in respect to security considerations than in any other area of RD&E project management. Obviously, security classifications for each project must be considered separately, taking into account numerous tradeoffs, and advances in the technical state-of-the-art, an increasing openness in government operations, and other changing factors

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that preclude the development of precise guidelines. Information that was classified in the past, for example, may not need protection now, and consequently levels of classification used in the past in some areas may be no longer appropriate, and hence more misleading than helpful as guides.

Special and careful attention must be given to possible security aspects of the Agency-contractor relationship: principles and practices can easily be interchanged and confused. Security classification may be appropriate with regard to the existence of an Agency-contractor relationship for precisely the reasons cited earlier; exceptionally grave damage, serious damage, or prejudicial effects to national interests: appropriate sterility practices are used in the procurement process to negate the development of documentation through which the existence of a classified Agency-contractor relationship could be established.

In some cases there are circumstances such that an open record of the existence of an Agency-contractor relationship for RD&E would be prejudicial to national interests. For example:

a. If an RD&E contractor produces only a simple, unclassified product so unique (say, only radio transmitter designs [redacted])

[redacted] that employment of the equipment would compromise operations, and the product is both needed and

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unavailable from other sources: or

b. If knowledge of the Agency-contractor relationship would preclude the contractor's ability to perform. Note that what is involved here is only the Agency-contractor relationship, not the work performed under the contract. For example, if the Agency were to support RD&E at the General Electric Co. for state-of-the-art improvements in lasers, or a unique use of lasers for intelligence data collection, classification of the work to be performed under the contract might well be needed to protect the Agency's future operational employment of the RD&E product. But here there is no justification for classifying the Agency-contractor relationship: the fact that the Agency overtly contracts for RD&E is well established, and certainly almost any company with the capability to conduct RD&E is a potential contractor.

To a far greater degree than classifying RD&E contract work or product, classifying the Agency-contractor relationship potentially establishes an opportunity for criticism of the Agency. For example, industrial as well as government agencies have experienced problems in recruiting because of the aversion of some citizens to the activities or products of these organizations.

Regardless of his personal convictions, it is obvious that special responsibilities devolve upon the Project Officer as a representative of the Agency to the public responsible

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not only for determining in large part how public funds will be spent from a technical point of view, but also administratively. Not all threats to the effectiveness of the Agency are of foreign origin, and judgments regarding the need for security classification, especially classification of the Agency-contractor relationship, must weigh all of the hazards in the context of the present.

#### Sterility

A variety of procurement practices may be used in contracting. These are described in

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With regard to the Agency-contractor relationship, distinction between security classification and sterility is important: a security classification is assigned if disclosure of the relationship would be harmful or prejudicial to the interests of the government, sterility practices operate to preclude the development of documentation of the Agency-contractor relationship.

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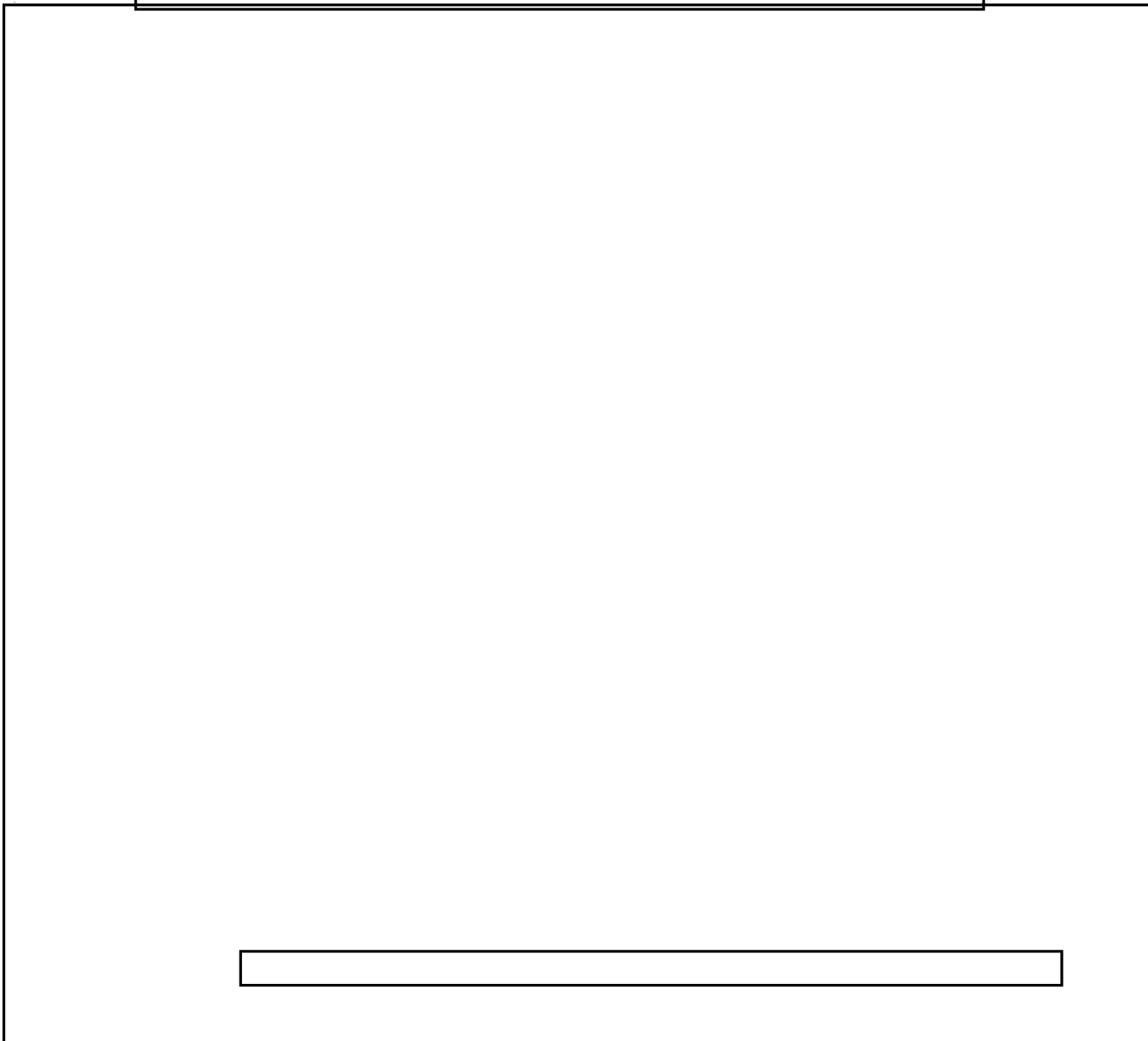


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If security were not violated, a contract stating that the identify of the sponsor was classified and could not be disclosed would protect the relationship. (The contract document itself would have to be classified, of course, at least to the level of protection desired for the relationship). Security classification alone can thus protect the relationship.

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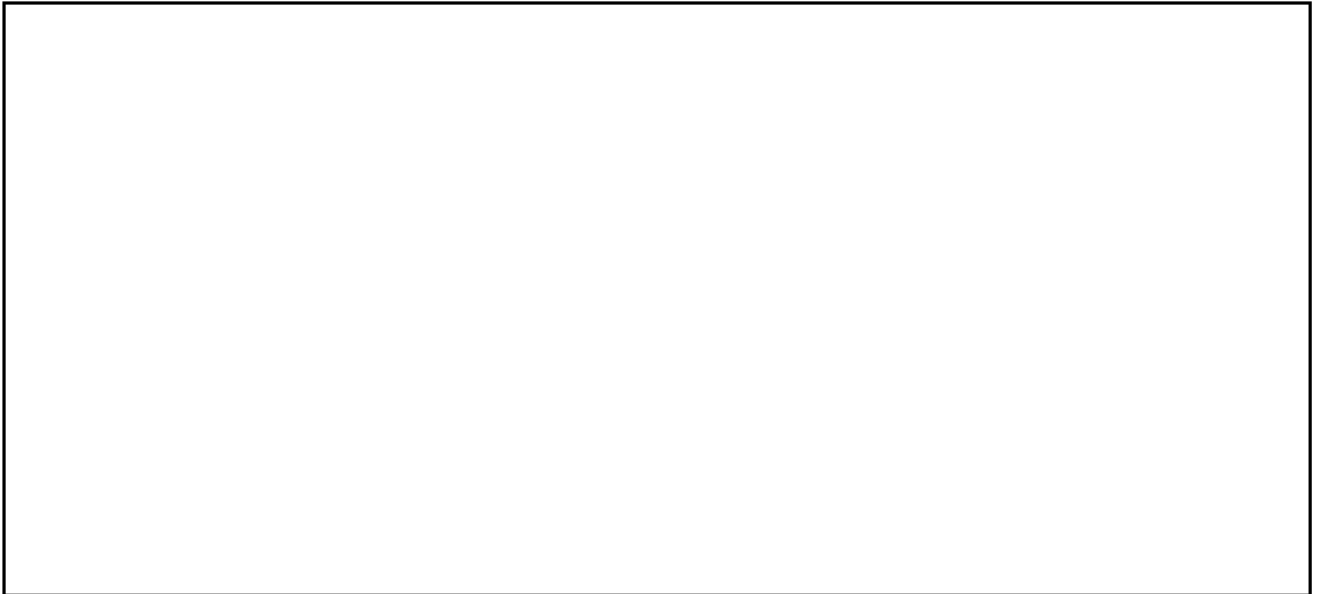
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### Getting It All Together

The variety of security classifications, sterility

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in combinations of circumstances far exceeding that of  
security classifications alone. How does it all add up?

Consider first the problem of representation in con-  
tacting an organization which may have desirable RD&E assets--  
people or product capabilities--but no prior association,  
hence no clearances, etc., with the Agency. Figure I-1  
indicates the options: an overt or open Project Officer  
could represent himself as an Agency employee; if he were  
uncertain about the degree of sensitivity that might develop  
regarding the Agency-contractor relationship he might make  
inquiries, representing only himself, [ ] 25X1

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Next 5 Page(s) In Document Exempt

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